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The Director of Central Intelligence
Washington, D.C. 20505

National Intelligence Council

3 January 1984

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MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

VIA : Charles E. Waterman
Vice Chairman, National Intelligence Council

FROM : David Y. McManis
National Intelligence Officer for Warning

SUBJECT : Monthly Warning and Forecast Meetings
for December

1. The reports on the NIO Warning and Forecast meetings are attached.

2. Warning highlights follow:

a. INF Watch

(1) The Soviet walkout in Geneva probably will not provoke near-term pressure by West European allies to alter U.S. negotiating strategy. Analysts disagree over whether this situation will prevail should talks not be resumed by spring. The Conference on Disarmament in Europe may be the arena where West European pressure emerges. The Soviets will not want to do anything in 1984 in the arms control area that will enable President Reagan to claim that his Soviet policies are paying dividends. In Soviet eyes arms control and the peace issue are their major tools in both West Europe and U.S. domestic politics for causing problems for the Reagan administration.

(2) There is little evidence of new Soviet "countermeasures," but their oceans and seas "countermeasure" probably require more time for operational implementation. They have acknowledged publicly that their East

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European allies are causing problems over counter-deployments, although such opposition will not count heavily in Soviet calculations over INF strategy.

b. Iran/Iraq

The bombings in Kuwait may be the beginning of an Iranian campaign to use terror in the Persian Gulf to warn the Gulf states about siding with Iraq. Nonetheless, the Gulf states have been stiffening their resistance to Iranian pressure and will probably draw closer to the U.S. should this pressure increase. The Kuwaiti bombings may also have had a Syrian-Lebanese connection.

c. Syria

Syria is unlikely to escalate significantly its direct military response to U.S. actions in Lebanon. It will, however, step up the use of surrogates, including terrorists, in response to a U.S. escalation. Short of being driven out of Lebanon, Syria will not alter its strategy or goals and believes that it can outlast the U.S. in Lebanon.

d. India/Pakistan

Tensions between the two countries are high. Large-scale military exercises on both sides make conflict a possibility. Prime Minister Gandhi may be using the possible external threat as an election-year issue, but India does have genuine fears about growing U.S.-Pakistani ties. If India concludes that Pakistan has achieved sustained production of fissile materials at its nuclear fuel reprocessing facilities, India may launch a surgical airstrike or even full-scale war.

e. Angola/South Africa

The ultimate objective of the new South African military operation in southern Angola is unclear. The gradual and successful movement of the UNITA insurgency into new areas of Angola is proceeding despite Angolan/Cuban efforts to halt it. A growing Cuban presence in the country raises the

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possibility of Cuban involvement in fighting with South Africa.

f. The African Economy

Like Latin America, Africa will seek increased foreign assistance in order to weather the worsening economic situation. In Africa, food will be a major concern, followed by energy and debts. Although European banks have been the principal backers of African economies, the U.S. may be subject to growing demands for funds either directly or through the IMF. (Most African nations see the IMF as a U.S. surrogate.)

g. Sudan

If President Nimeiri proceeds with his Islamization campaign, the unsettled situation in Sudan will worsen. Dissident activity in the south will intensify in 1984 and may provoke the military to turn against Nimeiri. If the Sudanese military is unable to counter dissident operations, the Sudanese government will ask for greater U.S. military assistance, particularly helicopters.

h. Central American Refugees

Over 400,000 refugees have left their homelands for other parts of Central America. Most of the bills for the care of these refugees is paid by the United Nations Commission for Refugees. Mexico and Guatemala are forcing the refugees to stay close to the borders while Costa Rica is trying to integrate them into the population. Nicaragua is actively encouraging emigration while at the same time playing host to Salvadoran refugees. Continued economic depression and heightened political tension will generate more emigration and, thus, deplete scarce resources for the care of refugees.

i. El Salvador

Insurgents will try to sabotage the March elections. Despite a lack of widespread popular support and logistical problems, they are more experienced and appear more adaptable to guerrilla warfare than the Salvadoran army

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is to counterinsurgency. The army is better armed than before, but its officer corps is less favorable to the doctrines of counterinsurgency and it also lacks the air mobility it needs. The elections may reveal a dangerous politicization within the army towards right-wing extremism that may harm the outcome of the elections.

j. Japanese Trade

Nakasone's election losses may reduce his ability to lower trade barriers with the U.S. Many trade issues fall under the control of the Ministry of Agriculture, Forestry and Fisheries, the least international in outlook in the Japanese government. The merchandise trade imbalance with the U.S. is likely to increase in 1984 while the undervalued yen exchange rate will remain essentially unchanged.

k. The Philippines

The Marcos regime faces growing political problems that are heightened by financial problems. The Philippine debt is higher than previously thought and has raised serious questions about accounting procedures at the Philippine Central Bank. IMF has returned to Manila to reassess the financing gap and debt rescheduling cannot begin until IMF reports are complete.



David Y. McManis

Attachments:
As stated (h/w)

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